Chapter 15 Economic and Environmental Policy: Contributing to Prosperity   
  
1. In The Wealth of Nations (1776), Adam Smith made all of the following arguments for laissez-faire capitalism, EXCEPT   
A. that the desire for profit is the invisible hand that guides a capitalist system.  
B. that the government should not be allowed any role whatsoever in the economy.  
C. that private firms should be left alone to make their production and distribution decisions.  
D. that the government should regulate banking, currency, and contracts.  
E. that certain areas of the economy were better run by government agencies.   
  
2. Which of the following statements BEST describes the relationship today between government and the economy in the United States?   
A. The economy is largely self-regulating.  
B. The government subsidizes economic interests but otherwise leaves them to operate as they please.  
C. The government is the driving force in the U.S. economy; business has a secondary role.  
D. The government participates in the economy though the regulation of privately owned businesses.  
E. The government owns most of the means of production in the United States.   
  
3. Economic efficiency requires   
A. that the free market not be regulated by government.  
B. that the output of goods and services is the highest possible given the amount of input used to produce them.  
C. the economy to be organized around large firms.  
D. economic transactions to be fair to each party.  
E. economic transactions to be equal to each party.   
  
4. Which of the following government agencies regulates business competition?   
A. Federal Trade Commission  
B. Interstate Commerce Commission  
C. Securities and Exchange Commission  
D. all of these: the Federal Trade Commission; the Interstate Commerce Commission; and the Securities and Exchange Commission  
E. None of these answers is correct.   
  
5. The term externalities refers to   
A. regulations imposed on a firm by government.  
B. a nation that is a trading partner of another nation.  
C. the costs of production that are incurred by society.  
D. tariffs imposed on American goods exported to other countries.  
E. None of these answers is correct.   
  
6. What did Congress do in 1995 to reduce overregulation?   
A. It cut funding for regulatory agencies like the EPA and Securities and Exchange Commission.  
B. It passed the Airlines Deregulation Act, which eliminated government-set airfares and the requirement that airlines provide service to smaller-sized cities.  
C. It restricted the president's ability to directly request administrative regulations from agency heads.  
D. It cut the budget of the Food and Drug Administration.  
E. It enacted legislation that prohibits administrators in some instances from issuing a regulation unless they can show that its benefits outweigh its costs.   
  
7. The Great Recession, which began in 2008, was precipitated primarily because the federal government was too lax in regulating   
A. computer technology.  
B. the buying and selling of stocks.  
C. interest rates charged to banks.  
D. subprime mortgages.  
E. the buying and selling of junk bonds.   
  
8. Passed in 2010, the Dodd-Frank Wall Street Reform and Consumer Act   
A. loosens restrictions on large financial institutions considered "too big to fail."  
B. allowed low interest rates and small down payments for first-time home buyers and small business entrepreneurs.  
C. empowers government to more closely oversee financial activities.  
D. sought to promote environmental protection, consumer protection, and worker safety.  
E. required warning labels on all "hazardous" consumer goods, such as cigarettes.   
  
9. The \_\_\_\_\_\_\_\_ established minimum wages.   
A. Securities and Exchange Act of 1934  
B. Banking Act of 1934  
C. Airlines Deregulation Act of 1977  
D. Fair Labor Standards Act of 1938  
E. Homestead Act of 1862   
  
10. One focus of the Progressive Era of government regulation was   
A. strengthening consumer protection by preventing credit agencies from gouging individuals with high levels of debt.  
B. bolstering worker safety by increasing the power of unions and forcing better safety practices on businesses.  
C. increasing environmental protection and strengthening the EPA.  
D. regulating troubled economic sectors, such as banking.  
E. stopping corrupt business practices such as the sale of unsafe food and drugs.   
  
11. On the whole, American politicians have been LEAST willing to \_\_\_\_\_\_\_\_ in order to combat global warming.   
A. reduce carbon emissions  
B. encourage clean energy  
C. encourage energy conservation  
D. consider alternative energy sources  
E. raise fuel standards for vehicles   
  
12. Which country has the HIGHEST annual emissions of carbon dioxide?   
A. United States  
B. China  
C. Japan  
D. India  
E. Great Britain   
  
13. Government benefits for business include all of the following EXCEPT   
A. low-interest loans and government-guaranteed loans.  
B. corporate tax breaks.  
C. a national transportation system.  
D. minimum-wage laws.  
E. a national education system.   
  
14. What was a major change brought about by the National Labor Relations Act of 1935?   
A. It established the national minimum wage.  
B. It broke up business monopolies in order to give workers more choice in employers.  
C. Workers were given the right to bargain collectively.  
D. It eliminated the ability of companies to bargain directly with unions.  
E. It reduced the ability of workers to go on strike indefinitely.   
  
15. Judged in the context of the full range of public policies, the government in the United States has been   
A. equally hostile to the interests of business and labor.  
B. equally supportive of the interests of business and labor.  
C. substantially more supportive of business than labor.  
D. substantially more supportive of labor than business.  
E. substantially more supportive of left-wing radicals than conservatives.   
  
16. Government support for agriculture in the form of price supports and income subsidies is designed PRIMARILY to   
A. increase farm production in order to meet the nation's food needs.  
B. stabilize farm income, which would otherwise fluctuate greatly due to market and weather conditions.  
C. promote farm conservation so as to preserve the productive capacity of U.S. agriculture.  
D. encourage rural development.  
E. encourage urban development.   
  
17. Fiscal policy is a mechanism the government employs to influence the economy. Fiscal policy is based on   
A. the idea that a balanced budget is the key to a healthy economy.  
B. the money supply.  
C. the government's taxing and spending decisions.  
D. the importance of maintaining a 12-month (fiscal year) economic cycle.  
E. the projections of the Federal Reserve Board.   
  
18. If the economy is sluggish, with low productivity and high unemployment, the fiscal policy action on the demand side would be to   
A. increase taxes.  
B. cut business taxes.  
C. increase government spending.  
D. decrease government spending.  
E. None of these answers is correct.   
  
19. Supply-side economics is based primarily on   
A. stimulation of the business (supply) component.  
B. government stimulation of consumer demands.  
C. a repudiation of trickle-down theory.  
D. increases in taxation.  
E. increases in government regulation.   
  
20. The Federal Reserve plays a large part in establishing \_\_\_\_\_\_\_\_ policy.   
A. monetary  
B. military  
C. fiscal  
D. budgetary  
E. security 